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## **BY ELECTRONIC MAIL**

June 26, 2023

Ms. Mabel Jiménez Miranda  
Executive President  
COSSEC

### **Re: Cooperativa de Ahorro y Crédito de Manatí (ManatiCoop)**

Dear Ms. Jiménez Miranda,

In accordance with the Contract Review Policy of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed Asset Sale and Assumption of Liabilities between the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (“COSSEC,” for its Spanish acronym), as receiver of Cooperativa de Ahorro y Crédito de Ciales (“CialesCoop”), and Cooperativa de Ahorro y Crédito de Manatí (“ManatiCoop”) (the “Proposed Contract”).

After reviewing the Proposed Contract, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Contract are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Contract with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements

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under the applicable contract. Any material changes to the Proposed Contract must be submitted to the Oversight Board for review and approval **prior to execution**.

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to COSSEC and solely with respect to the Proposed Contract.

Sincerely,



Jaime A. El Koury  
General Counsel

## **APPENDIX A**

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COSSEC (as receiver of CIALESCOOP) – MANATICOOP

### **Fiscal Plan Alignment**

This review covers the Proposed Contract between COSSEC, as receiver of CialesCoop, and ManatiCoop, which contemplates the sale of CialesCoop's assets and the assumption of its liabilities by ManatiCoop.

The Proposed Contract arises from COSSEC's statutory role as regulator and insurer of the cooperative system. Pursuant to this role, COSSEC is authorized to carry out corrective actions with regards to insolvent cooperatives, such as (i) sales of assets and liabilities; (ii) liquidations; (iii) involuntary mergers; and (iv) voluntary mergers with COSSEC's assistance. Crucially, COSSEC should select the rehabilitation action with the lowest long-term cost to the COSSEC Insurance Fund and systemic risk.

On December 21, 2021, COSSEC assumed the receivership of CialesCoop and authorized the sale of CialesCoop's assets and liabilities to ManatiCoop on June 6, 2023. Pursuant to the Proposed Contract, ManatiCoop shall acquire the assets and assume the liabilities of CialesCoop and 30% of the net losses, amounting to **\$5,317,151**. COSSEC, for its part, shall assume 70% of the net losses, amounting to **\$12,406,687**. Notably, this approach represents the action with the lowest long-term cost to the COSSEC Insurance Fund, since a liquidation scenario would cost COSSEC **\$16,870,412**. Accordingly, the Proposed Contract is compliant with COSSEC's Fiscal Plan, to the extent the sale of CialesCoop's assets and liabilities represents the lowest cost option to the COSSEC Insurance Fund.

COSSEC is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A (Contract Submission Questionnaire) and to request a re-review of the Proposed Contract should any changes occur.

*This review was conducted on the basis of information submitted by COSSEC. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.*